



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 4/13/2004

GAIN Report Number: NI4005

Nigeria

Sugar

Annual

2004

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Report Highlights:

Nigeria's overall sugar demand in MY2003/04 is estimated at 1.2 MMT, all imported. The major suppliers are Brazil and the EU. The percentage of raw sugar imports have been steadily increasing since the establishment of a private sugar refinery in 2000.. In CY2003, about 60% of total sugar imports entered the country in raw form, up from zero level in 1999. The privatization of government-owned sugar companies is progressing slowly. While the Savannah Sugar Company was privatized in March 2000, there have been delays in privatizing the other three sugar companies. It is hoped that the exercise will be concluded this year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Lagos [NI1]
[NI]

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Executive Summary

At present, Nigeria's sugar consumption requirement is exclusively satisfied through imports. The GON's privatization of government-owned and operated estates has disrupted local production of sugar. Nigeria's domestic sugar production in 2004/2005 is forecast to remain at zero level, as the rehabilitation of the privatized estates will take a while to be completed. The estates yet to be privatized have stopped cane production.

In March 2002, the GON concluded the public sale of Savannah Sugar Company (NISSUCO), Nigeria's largest sugar estate. Dangote Group emerged as the core investor and has since then assumed the management of the estate. Sources at NISSUCO indicate that the company will not resume cane production until MY2005/06. The privatization of the other sugar estates in Bacita, Sunti and Lafiaji earlier scheduled for 2003, will now be concluded 2004. The GON views the privatization of these poorly managed government-owned estates as a key element of its goal of revamping the sugar industry.

The bulk of Nigeria's sugar imports are shipped into the country in raw form. Raw sugar imports are forecast to increase to 850,000 MT in MY 2004/05, up from 800,000 MT estimated for the current year. Dangote's sugar refinery has a production capacity of about 1 million tons of refined sugar annually.

Exchange Rate: US\$1 = 135 Naira

Production

Nigeria Centrifugal Sugar							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		11/2002		11/2003		11/2004	MM/YYYY
Beginning Stocks	100	100	100	100	100	100	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	0	25	0	0	0	0	(1000 MT)
TOTAL Sugar Production	0	25	0	0	0	0	(1000 MT)
Raw Imports	600	600	800	800	0	850	(1000 MT)
Refined Imp.(Raw Val)	400	400	350	350	0	350	(1000 MT)
TOTAL Imports	1000	1000	1150	1150	0	1200	(1000 MT)
TOTAL SUPPLY	1100	1125	1250	1250	100	1300	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	100	125	100	100	0	60	(1000 MT)
TOTAL EXPORTS	100	125	100	100	0	60	(1000 MT)
Human Dom. Consumption	900	900	1250	1250	0	1300	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	900	900	1050	1050	0	1140	(1000 MT)
Ending Stocks	100	100	100	100	0	100	(1000 MT)
TOTAL DISTRIBUTION	1100	1125	1250	1250	0	1300	(1000 MT)

Nigeria's domestic sugar production is forecast to remain at the current zero level due largely to disruptions caused by the on-going privatization exercise. Although the privatization of NISSUCO was concluded in March 2002, the new management indicated that production is not expected to resume until MY2005/06. The privatization of the other government-owned estates in Bacita, Lafiaji and Sunti originally scheduled for 2003 is delayed till the second half of 2004. The GON did not disburse operational funds to these estates because the privatization exercise was underway.

Consumption

Nigeria's overall sugar consumption requirement in 2004/05 is forecast at 1.3 million MT, up from 1.2 million MT in 2003/04. The forecast is based on increased demand for both industrial and direct human consumption. Trends in industrial activity utilizing sugar as a processing input, such as for soft drinks, pharmaceuticals, beverages, and in the manufacture of confectionary products, suggest that sugar demand will continue to rise.

Trade

Dangote's sugar refinery was established in 2000 to convert imported brown granulated sugar into plantation white sugar. From that time, raw sugar imports have been steadily

rising. Post forecasts Nigeria's raw sugar imports in 2004/05 at 850,000 MT, up from 800,000 MT in 2003/04. Refined sugar imports are forecast at 350,000 MT.(raw sugar equivalent), same level as 2003/04. The bulk of Nigeria's sugar imports, both raw and refined, comes from Brazil and to some extent, the EU. Trans-border sugar exports will decline in MY2004/05 because of the higher duty on refined sugar imports.

Tariffs

In the last quarter of 2003, the GON increased the duty on imported refined sugar from 30 percent to 40 percent despite agitations by the key importers of refined sugar. Sugar Development Levy was also increased from 5 percent to 10 percent to support local production. When VAT (5%), port surcharge (7% of duty) and other charges are added, the effective duty rises to more than 50 percent. Dangote Group is exempted from payment of the duty and levy under existing investment laws.

Policy

The stated policy of the Nigerian government is to move Nigeria quickly from dependence on imports to at least 70 percent self-sufficiency in domestic sugar production by 2010. The privatization of the existing government-owned, fully integrated sugar companies is a key element of GON's overall strategy of achieving self-sufficiency on the long run. Privatization is expected to improve the management of these estates and stimulate new investments in the industry. Additionally, under existing investments laws, investors in local production are exempted from the payment of import duty and the sugar development levy for raw sugar imports. The GON requires all sugar consumed in Nigeria to be fortified with Vitamin A and must have a minimum of 45 ICMSA